

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF DELTA)	CASE NO. 9331-R
NATURAL GAS COMPANY, INC.)	

O R D E R

On May 2, 1990, the Commission issued its Interim Order in this case requiring Delta Natural Gas Company, Inc. ("Delta") to support its methodology for allocating purchased gas cost among subsidiary and utility customers. On May 16, 1990, Delta filed its response to the Commission's Order. On June 7, 1990, Commission Staff held an informal conference with Glenn Jennings, President of Delta, to clarify any remaining issues related to the allocation methodology in question.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Through its subsidiary, Delta Resources ("Resources"), Delta contracted to purchase gas for its system supply that was cheaper than interstate pipeline gas. These purchases were made during the months of December 1989 and January 1990, and, according to Delta, reduced the cost of gas to utility customers.

2. In November and December 1989 and January 1990, Resources purchased gas specifically for two industrial customers who, according to Delta, required lower priced gas in order to stay on the Delta system. Keeping these customers on the

system is beneficial to Delta's utility customers because Delta continues to earn its transportation rate for any customer to whom Resources sells gas.

3. The volumes of gas Delta purchases from Resources are priced at the weighted average cost of gas that is available to Resources' general body of customers. When Resources purchases a package of gas to meet an individual customer's particular circumstances, which it did for Delta and two industrial customers of Resources as reported in the instant filing, these volumes and prices are not included in the average price that is calculated for normal purchases by Delta.

4. Resources is an unregulated subsidiary of Delta; pursuant to KRS 278.274, the reasonableness of its pricing of gas to Delta is currently the Commission's only concern in gas cost adjustment ("GCA") filings. Delta has explained the instant filing's allocation methodology to the Commission's satisfaction. The Commission's only remaining concern is that in the future Delta should provide better documentation or explanation of deviations from its standard allocation methodology.

5. Delta's proposed actual adjustment given interim approval on May 2, 1990 should be accepted and given final approval.

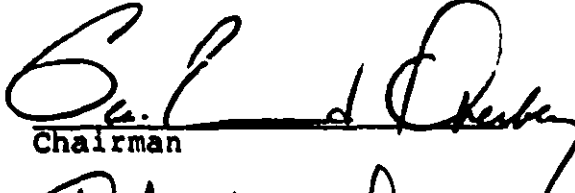
IT IS THEREFORE ORDERED that:

1. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable and are hereby given final approval effective with final meter readings on and after May 1, 1990.

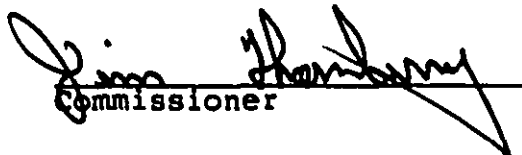
2. In future GCA filings, Delta shall fully explain and support any deviations from its approved GCA clause or standard methodologies.

Done at Frankfort, Kentucky, this 17th day of July, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9331-R DATED July 17, 1990

The following rates and charges are prescribed for the customers served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

RATE SCHEDULES

AVAILABILITY

Available for general use by residential, commercial, and industrial customers who purchase their entire natural gas requirements from Delta.

RATES

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u> equals
	plus		
General Service			
Monthly Customer Charge			\$3.98
1 - 1,000 Mcf	\$2.0379	\$3.1678	5.2057 per Mcf
1,001 - 5,000 Mcf	1.8920	3.1678	5.0598 per Mcf
5,001 - 10,000 Mcf	1.5858	3.1678	4.7536 per Mcf
Over 10,000 Mcf	1.2795	3.1678	4.4473 per Mcf
Interruptible (2)			
1 - 1,000 Mcf	\$1.7826	\$3.1678	\$4.9504 per Mcf
1,001 - 5,000 Mcf	1.6368	3.1678	4.8046 per Mcf
5,001 - 10,000 Mcf	1.3306	3.1678	4.4984 per Mcf
Over 10,000 Mcf	1.0243	3.1678	4.1921 per Mcf

Transportation of Gas for Others
On-System Utilization

To the applicable rates and charges in effect for on-system transportation customers shall be added a take-or-pay recovery component of \$.0784 per Mcf.